

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 515 - HB 1085**

February 21, 2017

**SUMMARY OF BILL:** Allocates revenue generated from the increase in the state sales and use tax rate from six percent to seven percent pursuant to Public Chapter 856 of the Public Acts of 2002 as follows: 25.0 percent to the General Fund; 25.0 percent to municipalities; 25.0 percent to rural counties; and 25.0 percent to urban counties. Such allocation shall not apply to revenue generated from the single-article tax rate of 2.75 percent. Prohibits any local entity from receiving such apportionment if the entity is delinquent in the payment of its other post-employment benefits, as defined by the bill.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – \$873,563,000**

**Increase Local Revenue – \$873,563,000**

Assumptions:

- Under current law, pursuant to Tenn. Code Ann. § 67-6-103(c)(1), all revenue generated from the increase in the state sales and use tax rate from six percent to seven percent, pursuant to Public Chapter 856 of the Public Acts of 2002, is allocated to the General Fund.
- The one percent tax increase generated \$1,076,886,439 in revenue in FY15-16, all of which was deposited to the General Fund.
- Fiscal Review Committee staff estimates growth for sales tax to be 4.3 percent in FY16-17 and 3.7 percent in FY17-18.
- Assuming the same growth rates for revenue generated from the one percent tax increase, FY17-18 collections are estimated to be \$1,164,750,679 [ $\$1,076,886,439 \times (1 + 4.3\%) \times (1 + 3.7\%)$ ]. This number is assumed to remain constant in subsequent years.
- Local government entities will receive all revenue allocated pursuant to this bill.
- The recurring increase in local revenue is estimated to be: \$291,187,670 for municipalities, \$291,187,670 for rural counties, and \$291,187,670 for urban counties ( $\$1,164,750,679 \times 25.0\%$  each entity), for a total recurring increase in local government revenue of \$873,563,010 ( $\$291,187,670 \times 3$ ).
- The recurring decrease in state revenue to the General Fund is estimated to be \$873,563,010.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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